

July 11, 2003

**Via Hand Delivery**

Kristi Izzo, Secretary  
Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102

**Re: Comprehensive Review of the Monthly Performance Reports and the  
Associated Incentive Plan Reports Filed by Verizon New Jersey Inc.,  
Pursuant to the Order Approving Incentive Plan dated January 10, 2002 --  
Docket No. TX02090665**

Dear Secretary Izzo:

Attached is the response of Verizon New Jersey Inc. to the June 7, 2003 Draft Audit Report submitted by Liberty Consulting Group. Verizon NJ has addressed each of Liberty's 114 findings in a matrix format, juxtaposing the Liberty observation with Verizon NJ's response (whether agreement or disagreement) and attendant rationale.

Verizon NJ is pleased that Liberty has provided a constructive, obviously well-researched draft report. The extent of its efforts is obvious from both the breadth of subjects addressed, and the depth in which they are discussed. Liberty's overarching finding, that "Verizon uses the data it records to produce reasonably accurate performance and IP reports," Draft at 9, is testimony to the hard work of literally thousands of Verizon employees, and to the complex and collaborative process that has created and improved the Verizon New Jersey Performance Incentive Plan over the past several years.

The draft represents the culmination of months of collaborative efforts between Liberty auditors and Verizon NJ representatives, but it also quite starkly suggests either the contentment of the bulk of the competitive local exchange carrier industry respecting the service it receives from Verizon NJ as a wholesale provider pursuant to its obligations under state and federal law, or its indifference to the audit process. Put simply, of the twenty CLECs whom Liberty canvassed for information, only one in four even apparently responded in any detail, let alone with the volumes of information and hundreds of hours of interviews that Verizon NJ provided over a six-month span.

It is, of course, noteworthy that in a process involving over 730 metrics, of which over two hundred are Incentive Plan penalty-assessable, and for which in excess of one million separate data points are collected monthly, Liberty has identified only 114 matters appropriate for observation. Of that number, the single largest category comprises Plan changes that Liberty finds should be effected to comport with Verizon NJ practice rather than vice versa. There are, of course, 11 Category I findings that Liberty believes reflect deviations from the Guidelines themselves. Verizon NJ squarely addresses each in the attached documentation, noting not only that Verizon NJ's processes are currently compliant, but that the putative deviations have no effect on results. In addition, Verizon addresses each of the other 103 observations that Liberty concedes either have no effect on the reliability of data that Verizon NJ has generated, or no measurable effect.

As is evident from both Liberty's findings and Verizon's responses, there is much upon which the two agree, and much upon which we differ. Liberty's assessment of the extent of necessary documentation, for example, appears less within the scope of an auditor's opinion than an attorney's, given that the Carrier to Carrier Guidelines and the orders implementing it are the sole dispositive documents governing Verizon's and its wholesale customers' relevant rights and obligations. In certain instances, Liberty appears factually mistaken as to certain aspects of the Incentive Plan and the unique Verizon NJ tasks associated with it.<sup>1</sup>

Conversely, there is, in fact, a great deal of congruence between Liberty's and Verizon NJ's perceptions. Liberty's draft underscores a position clearly articulated by Verizon NJ's still-pending Unworkables Petition of January 13, 2003; namely, that certain aspects of the Carrier to Carrier Guidelines and the Incentive Plan are flawed.<sup>2</sup> Such flaws include metrics that no longer track the processes they purport to gauge; language gaps that Verizon NJ has had to fill (and which, in most instances, Liberty notes has been done in an appropriate, commercially reasonable fashion); and, comparators that no longer provide – or never actually provided -- appropriate retail/wholesale comparisons. Unfortunately, while many states have designed their carrier to carrier and incentive plans to evolve in an orderly manner with regular reviews, New

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<sup>1</sup> Moreover, Liberty perceives the frequency of change control measures as a mark of “instability” within the process; this appears contrary to the Board's holding that such measures, which are simply product improvements to a highly automated process, “indicate Verizon NJ's necessary commitment to improvement where areas of concern arise.” *In the Matter of the Consultative Report of the Application of Verizon New Jersey, Inc. for FCC Authorization to Provide In-Region, InterLATA Service in New Jersey*, BPU Docket No. Docket No. TO01090541, FCC Docket No. CC Docket No. 01-347, January 14, 2002, at 80.

<sup>2</sup> Because the Board has neither expressly articulated the intended use of Liberty's report nor actioned the January 13, 2003 petition, Verizon NJ respectfully (1) suggests that the petition is both appropriate for determination and well supported by Liberty's findings; and (2) reserves its right to contest the appropriateness of Liberty's findings and of any use of such findings by the Board.

Jersey's does not. Verizon NJ also asks the Board, in the pending Unworkables Petition, to address this situation in a manner adopted in other states.

Verizon New Jersey Inc. appreciates the opportunity to provide these comments and to once more express its thanks to the Board staff and the personnel of the Liberty Consulting Group for their courtesies during an exhaustive and wide-ranging process.

Very truly yours,

Bruce D. Cohen

BDC:dmc

Attachment

cc: James Corcoran  
Robert L. Stright